HealthPlans, Inc.

Compliance Alert
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Counting Rx Expenses toward the Out-of-Pocket Limit

Under the Affordable Care Act (ACA) for plan years beginning on or after January 1, 2014, the way out-of-pocket costs accumulate for non-HSA-qualified medical plans ("medical plans") is changing. (The new rules do *not* affect the requirements for HSA-qualified high deductible health plans (HDHPs).)

- In 2014, all member out-of-pocket costs for medical plans, except for prescription drugs administered by a separate vendor, must accumulate toward the plan's out-of-pocket limits which cannot exceed $6,350 individual and $12,700 family.
- In 2015, a medical plan member's out-of-pocket costs for prescription drugs must also count toward satisfaction of the out-of-pocket limits which cannot exceed $6,600 individual and $13,200 family.[1]
- Under the ACA, the new rule applies only to non-grandfathered plans. However, under the Massachusetts Minimum Creditable Coverage (MCC) rules, it applies to all plans, regardless of grandfather status.

Plan Design

To satisfy the rule that takes effect in 2015, a plan may apply the out-of-pocket maximum limits **separately** to prescription expenses and to all other medical expenses. For example, a plan with a current individual out-of-pocket limit of $2,000 on medical expenses could apply a separate individual limit of $4,600 to prescription drugs for 2015. Any combination of separate limits is permitted as long as the combined total does not exceed the statutory maximum.

The regulations also allow for **combined** medical and prescription drug expense limits; however, this method requires daily data feeds between the plan's Prescription Benefit Manager (PBM) and medical claims administrator to ensure that both cover services at 100% as soon as the out-of-pocket maximum has been reached. If the out-of-pocket limit is reached during the period between data feeds, it is possible that prescription and/or medical claims would need to be reprocessed. In addition, in some cases PBMs will charge fees for these data exchanges, thereby increasing a client's plan administration costs.

Due to the complications and increased cost of administration under the combined method, Health Plans recommends the separate limits approach since it is a more seamless process and may also be easier to communicate to covered members given that prescription drug expenses historically have had no impact on medical out-of-pocket limits.

Timing

The rule takes effect on the first day of the plan year that begins in 2015. Plans with calendar year benefit accumulation periods but non-calendar plan years may (but are not required to) implement the change as of January 1, 2015 in order for all out-of-pocket costs to accumulate on the calendar year basis. Otherwise, prescription expenses would not accumulate until the plan year start date for such plans.

Your Health Plans Account Manager will work with you to help ensure that your plan is in compliance with this rule in 2015. If you have any questions in the meantime, please contact your Account Manager.

The information in this Compliance Alert *is intended to provide a summary of our understanding of recent regulatory developments which may affect our clients' plans. It should not be construed as specific legal advice or legal opinion. The contents are for general informational purposes only and are not a substitute for the advice of legal counsel.*

[1]For HDHPs the 2015 limits are $6,450 and $12,900